



[6714-01-P]

Federal Deposit Insurance Corporation

Agency Information Collection Activities: Proposed Information Collection; Submission for OMB Review

AGENCY: Federal Deposit Insurance Corporation.

ACTION: Notice of information collection to be submitted to OMB for review and approval under the Paperwork Reduction Act, and request for comment.

SUMMARY: The Federal Deposit Insurance Corporation, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to take this opportunity to comment on a new information collection, as required by the Paperwork Reduction Act of 1995.

An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid OMB control number. The FDIC is soliciting comment concerning its information collection titled, “Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.”

DATES: Comments must be received by [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER]..

ADDRESSES: You may submit written comments by any of the following methods:

- *Agency Web Site:* <http://www.fdic.gov/regulations/laws/federal/propose.html>. Follow the instructions for submitting comments on the FDIC Website.
- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *E-mail:* Comments@FDIC.gov. Include “Annual Stress Test Reporting Template and Documentation” on the subject line of the message.

- *Mail:* Robert E. Feldman, Executive Secretary, Attention: Comments, FDIC, 550 17th Street, NW, Washington, DC 20429.

- *Hand Delivery/Courier:* Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

Public Inspection: All comments received will be posted without change to

<http://www.fdic.gov/regulations/laws/federal/propose.html> including any personal information provided.

Comments may be inspected at the FDIC Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226 between 9 a.m. and 4:30 p.m. on business days.

Additionally, please send a copy of your comments to: By mail to the U.S. Office of Management and Budget, 725 17th Street, NW, #10235, Washington, DC 20503 or by facsimile to 202.395.6974, Attention: Federal Banking Agency Desk Officer.

FOR FURTHER INFORMATION CONTACT: You can request additional information from Gary Kuiper, 202.898.3877, Legal Division, Federal Deposit Insurance Corporation, 550 17th Street, NW, NYA-5046, Washington, DC 20429. In addition, copies of the templates referenced in this notice can be found on the FDIC’s website (<http://www.fdic.gov/regulations/laws/federal/propose.html>).

SUPPLEMENTARY INFORMATION: The FDIC is requesting comment on the following new proposed information collection:

Annual Stress Test Reporting Template and Documentation for Covered Banks With Total Consolidated Assets of \$50 Billion or More Under the Dodd-Frank Wall Street Reform and Consumer Protection Act

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (Dodd-Frank Act) requires certain financial companies, including state nonmember banks and state savings associations,

¹ Public Law 111–203, 124 Stat. 1376, July 21, 2010.

to conduct annual stress tests² and requires the primary financial regulatory agency³ of those financial companies to issue regulations implementing the stress test requirements.⁴ A state nonmember bank or state savings association is a “covered bank” and therefore subject to the stress test requirements if its total consolidated assets are more than \$10 billion. Under section 165(i)(2), a covered bank is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing such information as the primary financial regulatory agency may require.⁵ On October 9, 2012, the FDIC published in the Federal Register a final rule implementing the section 165(i)(2) annual stress test requirement.⁶ This notice describes the reports and information required to meet the reporting requirements under section 165(i)(2). These information collections will be given confidential treatment (5 U.S.C. 552(b)(4)).

The FDIC intends to use the data collected through these proposed templates to assess the reasonableness of the stress test results of covered banks and to provide forward-looking information to the FDIC regarding a covered bank’s capital adequacy. The FDIC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered bank. The stress test results are expected to support ongoing improvement in a covered bank’s stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The Dodd-Frank Act stress testing requirements apply to all covered banks, but the FDIC recognizes that many covered banks with consolidated total assets of \$50 billion or more have been subject to stress testing requirements under the Board’s Comprehensive Capital Analysis and Review (CCAR). The FDIC also recognizes that these banks’ stress tests will be applied to more complex portfolios and therefore warrant a broader set of reports to adequately capture the results of the stress tests. These reports will necessarily require more detail than would be appropriate for smaller, less complex institutions. Therefore, the FDIC

² 12 U.S.C. 5365(i)(2)(A).

³ 12 U.S.C. 5301(12).

⁴ 12 U.S.C. 5365(i)(2)(C).

⁵ 12 U.S.C. 5365(i)(2)(B).

⁶ 77 FR 62417, October 15, 2012.

has decided to specify separate reporting templates for covered banks with total consolidated assets between \$10 billion and \$50 billion and for covered banks with total consolidated assets of \$50 billion or more. In cases where a covered bank with assets less than \$50 billion is affiliated with a banking organization with assets of \$50 billion or more, the FDIC reserves the authority to require that covered bank to use the reporting template for larger banks with total consolidated assets of \$50 billion or more. The FDIC may also, on a case-by-case basis, require a covered bank with assets of \$50 billion or more to report stress test results using a simpler format to be specified by the FDIC. The reporting templates for institutions with assets of \$50 billion or more are described below.

The FDIC has worked closely with the Board and the Office of the Comptroller of the Currency (OCC) to make the agencies' respective rules implementing annual stress testing under the Dodd-Frank Act consistent and comparable by requiring similar standards for scope of application, scenarios, data collection and reporting forms. The FDIC has worked to minimize any potential duplication of effort related to the annual stress test requirements. The FDIC also recognizes that many covered banks with total consolidated assets of \$50 billion or more are required to submit reports using CCAR reporting form FR Y-14A.⁷ Therefore, the FDIC based its reporting requirements closely on the Board's form FR Y-14A for covered banks with total consolidated assets of \$50 billion or more. The FDIC recognizes the Board modified the FR Y-14A and, to the extent practical, the FDIC anticipates keeping its reporting requirements consistent with the Board's FR Y-14A in order to minimize burden on covered banks.⁸ In order to fully evaluate the stress test results submissions, the FDIC may conduct follow-up discussions with or request responses to follow-up questions from respondents, as needed.

Description of Reporting Templates for Banks with \$50 Billion or More in Assets

The FDIC DFAST-14A Summary Schedule includes data collection worksheets necessary for the FDIC to assess the company-run stress test results for baseline, adverse and severely adverse scenarios as well as

⁷ <http://www.federalreserve.gov/reportforms>.

⁸ 77 FR 60695, October 4, 2012.

any other scenario specified in accordance with regulations specified by the FDIC. The DFAST–14A

Summary Schedule includes worksheets that collect information on the following areas:

1. Income Statement;
2. Balance Sheet;
3. Capital Statement;
4. Retail Risk;
5. Securities: Available-for-Sale/Held to Maturity (AFS/HTM);
6. Trading;
7. Counterparty Credit Risk (CCR);
8. Operational Risk; and
9. Pre-Provision Net Revenue (PPNR).

Each covered bank reporting to the FDIC using this form will be required to submit to the FDIC a separate DFAST–14A Summary Schedule for each scenario provided to covered banks in accordance with regulations implementing Section 165(i)(2) as specified by the FDIC.

Worksheets: Income Statement

This income statement worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected losses and revenues in the following categories.

1. Loan losses;
2. Losses due to contingent commitments and liabilities;
3. Other Than Temporary Impairments (OTTI) on assets held to maturity and available for sale;
4. Trading account losses;
5. Allowance for loan and lease losses;
6. Pre-provision net revenue; and
7. Repurchase reserve/liability for representations and warranties.

This schedule provides information used to assess losses that covered banks can sustain in adverse and severely adverse stress scenarios.

Worksheets: Balance Sheet

The balance sheet worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected equity capital, as well as on assets and liabilities in the following categories.

1. HTM Securities;
2. AFS Securities;
3. Loans;
4. Trading Assets;
5. Intangibles;
6. Deposits; and
7. Trading Liabilities.

The FDIC intends to use this worksheet to assess the projected changes in assets and liabilities that a covered bank can sustain in an adverse and severely adverse stress scenario. This worksheet will also be used to assess the revenue and loss projections identified in the income statement worksheet.

Worksheets: Capital

The capital worksheet collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on the following areas.

1. Changes to Equity Capital;
2. Changes to Regulatory Capital; and
3. Capital Actions.

The FDIC intends to use this worksheet to assess the impact on capital of the projected losses and projected changes in assets that the covered bank can sustain in a stressed scenario. In addition to reviewing

the worksheet in the context of the balance sheet and income statement projections, the FDIC also intends to use this worksheet to assess the adequacy of the capital plans and capital planning processes for each covered bank.

Worksheets: Retail Projections

The retail projections worksheets collect data for each quarter of the planning horizon for the stress test on projected balances and losses for major retail portfolios: residential real estate, credit card, automobile, student loans, small business loans, and other consumer. For residential real estate, the worksheets collect data for first lien mortgages, home equity lines of credit, and home equity loans. For all major retail portfolios, the worksheets contain separate segments for domestic and international loans for various product types. Within each broad product-type segment, the reporting for the portfolio is divided into a number of sub-segments that embody unique risk characteristics. This modular product-type design of the retail worksheet allows for a targeted data collection that encompasses only the material portfolios in a given product area for a particular covered bank. A covered bank would be required to complete only the segments and sub-segments material for that bank. This design is intended to limit burden while maximizing the supervisory information produced from the collection.

Worksheets: Securities

Several securities worksheets collect data related to AFS and HTM securities. The worksheets collect data and information such as: projected OTTI by asset class for each quarter of the forecast time horizon; methodologies and assumptions used to generate the OTTI projections for each asset class; projected stressed fair market value (FMV) for each asset class as well as qualitative information on the methodologies and assumptions used to generate the stressed market value; and actual FMV including the source (vendor or proprietary) and key assumptions used in determining market values (if using a proprietary model).

Worksheets: Trading and Counterparty Risk

The trading and counterparty risk worksheets collect projected losses associated with a specified global market risk scenario for covered banks with large trading operations. The FDIC provides a set of risk factors relevant to the trading and counterparty positions so that respondent covered banks project trading and counterparty components in the adverse and severely adverse scenarios.

Completion of the trading and counterparty risk worksheets would be required only for those banks subject to the market shock provided by the FDIC.

Worksheets: Operational Risk

The operational risk worksheets collect data on covered banks' projections of operational losses for each quarter of the planning horizon for the stress test. Operational losses are defined as losses arising from inadequate or failed internal processes, people, and systems or from external events including legal losses. Some examples of operational loss events are losses related to improper business practices (including class action lawsuits), execution errors, and fraud. Additional detail may be requested in order for the FDIC to evaluate the transformation of the covered banks' historical loss experience into operational loss projections. Additional detail also may be requested on any budgeting processes used to project operational losses.

Completion of the operational risk worksheets would be required only for those banks subject to advanced approaches risk-based capital rules.

Worksheets: PPNR

For the PPNR worksheets, covered banks must provide projections for the three major components of PPNR (net interest income, non-interest income, and non-interest expense) for each quarter of the planning horizon. Collection of these data in this format is based on the assumption that the revenues generated by different business lines are affected differently by different stress scenarios, and such a view facilitates a more robust analysis of the resulting projections.

Description of FDIC DFAST–14A Counterparty Credit Risk Template

The CCR template collects, on various worksheets, data to identify credit valuation adjustment (CVA), exposures, and CVA sensitivities for the covered bank's top counterparties along a number of dimensions, including current CVA, stressed CVA, net current exposure, and gross current exposure. Covered banks also must submit aggregate CVA, exposures, and CVA sensitivities by ratings categories. The Notes to the CCR Schedule worksheet allow covered banks to voluntarily submit additional information to provide clarity to the portfolio. Covered banks are required to report results for one scenario and two specifications to capture Expected Exposure profiles.

Completion of the CCR template would be required only for those institutions subject to the market shock provided by the FDIC.

Description of FDIC DFAST–14A Basel III and Dodd-Frank Template

The Basel III and Dodd-Frank template collects projections of Tier 1 Common Equity, Tier 1 Capital, Risk-Weighted Assets (RWA), and Leverage Exposures (along with granular components of those elements) under the baseline scenario for each year through 2017. Banks are required to complete the schedule based on the methodologies outlined in the U.S. banking agencies NPRs: Basel III NPR, Advanced Approaches NPR, and final market risk capital rule (see FDIC Joint Release dated June 12, 2012⁹). Covered banks also are required to include data on the projected impact of any significant actions planned in response to Basel III and the Dodd-Frank Act (for example, asset sales, asset wind-downs, and data collection and modeling enhancements). The FDIC expects to align this template and its instructions with the rules implementing the Basel III framework in the U.S. when those rules are final.

Description of FDIC DFAST–14A Regulatory Capital Instruments Template

The regulatory capital instruments schedule collects historical data and projections of covered banks' balances of the funded instruments that are included in regulatory capital. The schedule collects data by

⁹ <http://www.fdic.gov/news/news/press/2012/pr12068.html>.

instrument type, in addition to projections for issuances and redemptions that contribute to changes in balances under the covered bank baseline scenario.

Description of FDIC DFAST–14A Operational Risk Template

The operational risk schedule collects data on covered banks' historical and current operational losses. This schedule is only required from covered banks subject to the advanced approaches risk-based capital rules. The first worksheet gathers data on covered banks' operational risk capital by unit-of-measure (undiversified basis) from Q4 of the previous year to Q3 of the reporting year. The second worksheet gather data on the total dollar value of a covered banks' legal reserve balance as of September 30.

Description of FDIC DFAST–14A Scenario Template

To conduct the stress test required under this rule, a covered bank may need to project additional economic and financial variables to estimate losses or revenues for some or all of its portfolios. In such a case, the covered bank is required to complete a worksheet for each scenario where such additional variables are used to conduct the stress test. Each scenario worksheet collects the variable name (matching that reported on the Scenario Variable Definitions worksheet), the actual value of the variable during the Q3 of the reporting year, and the projected value of the variable for nine future quarters.

Description of FDIC DFAST–14A Contact Information Template

The contact information template includes a directory worksheet for reporting points of contact for each of the templates described above: summary, counterparty credit risk, Basel III and Dodd-Frank, operational risk, regulatory capital instruments, and scenario.

Description of Supporting Documentation

Covered banks must submit clear documentation of the projections included in the worksheets to support efficient and timely review of annual stress test results by the FDIC. The supporting documentation should be submitted electronically and is not expected to be reported in the workbooks used for required data

reporting. This supporting documentation must clearly describe the methodology used to produce the stress test projections, and must include how the macroeconomic factors were translated into a covered bank's projections, as well as technical details of any underlying statistical methods used. Where company-specific assumptions are made that differ from the broad macroeconomic assumptions incorporated in stress scenarios provided by the FDIC, the documentation must also describe such assumptions and how those assumptions relate to reported projections. Where historical relationships are relied upon, the covered banks must describe the historical data and provide the basis for the expectation that these relationships would be maintained in each scenario, particularly under adverse and severely adverse conditions.

Comment Summary

In the Federal Register of August 30, 2012 (77 FR 52718), the FDIC published a 60-day notice requesting public comment on the templates and the collection of information. The FDIC did not receive any comments.

Burden Estimates

The FDIC estimates the burden of this collection of information as follows:

Estimated Number of Respondents: 4.

Estimated Annual Burden per Respondent: 1,040 hours.

Estimated Total Annual Burden: 4,160 hours

The FDIC recognizes the Board has estimated 79,200 hours for bank holding companies to prepare their systems for submitting data for the FR Y-14.¹⁰ The FDIC believes that these systems will also be used to submit data for the reporting templates described in this notice.

Comments continue to be invited on: (a) Whether the collection of information is necessary for the proper performance of the functions of the FDIC, including whether the information has practical utility; (b) The accuracy of the FDIC's estimate of the burden of the collection of information; (c) Ways to enhance the quality, utility, and clarity of the information to be collected; (d) Ways to minimize the burden of the

¹⁰ 77 FR 60695 (October 4, 2012).

collection on respondents, including through the use of automated collection techniques or other forms of information technology; and (e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information.

Dated at Washington, DC, this 20th day of November 2012.

FEDERAL DEPOSIT INSURANCE CORPORATION

Valerie J. Best
Assistant Executive Secretary

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